

## Message Text

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65

ACTION EUR-12

INFO OCT-01 ISO-00 ERDA-07 AID-05 CEA-01 CIAE-00 CIEP-02

COME-00 DODE-00 EB-07 FPC-01 H-02 INR-07 INT-05 L-02

NSAE-00 NSC-05 OMB-01 PM-03 SAM-01 OES-05 SP-02 SS-15

STR-04 TRSE-00 FRB-01 FEA-01 PA-02 PRS-01 USIA-15

/108 W

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R 242120Z APR 75

FM AMCONSUL TORONTO

TO SECSTATE WASHDC 2651

INFO AMEMBASSY OTTAWA

AMCONSUL CALGARY

AMCONSUL HALIFAX

AMCONSUL MONTREAL

AMCONSUL ST

AMCONSUL VANCOUVER

AMCONSUL WINNIPEG

AMCONSUL QUEBEC

UNCLAS TORONTO 0599

E.O. 11652 N/A

TAGS: ENRG, ETRD, CA

SUBJ: ONTARIO ENERGY MINISTER GIVES PROVINCE'S VIEWS ON NATURAL GAS  
PRICING, EXPORTS AND POLICY

1. IN APRIL 18 REMARKS TO NATIONAL MARKETING CONFERENCE OF CANADIAN  
GAS ASSOCIATION IN TORONTO, ONTARIO ENERGY MINISTER DENNIS TIMBRELL  
STATED THAT POSITION ASSUMED BY GOC AT OTTAWA PREMIERS  
CONFERENCE OF QUOTE MECHANICAL AND RIGID APPROACH TO ENERGY PRICES  
IS OPPOSED BY ONTARIO UNQUOTE. TIMBRELL RIDICULED THE IDEA OF  
INDEXING NATURAL GAS PRICES TO CRUDE OIL IRRESPECTIVE OF GAS  
PRODUCTION COSTS AND AVAILABLE SUPPLIES.

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WM REGARDING NATURAL GAS EXPORT CONTRACTS, TIMBRELL  
STRESSED NEED TO CONDIDER NATIONAL INTEREST AND WAS QUOTE NOT CONVINCED

THAT ARBITRARILY TERMINATING OR CANCELLING THE CONTRACTS  
WILL BEST SERVE THE NATIONAL INTEREST UNQUOTE.

HE CONTINUED THAT ANY NECESSARY CURTAILMENT MUST BE SHARED  
EQUITABLY BY CANADIAN AND US USERS AND MUST BE UNDERSTOOD BY  
BOTH.

3. NATIONAL INTEREST, SAID TIMBRELL, WOULD BE DOUBTFULLY SERVED BY  
EXTENSION OF GAS MARKET GEOGRAPHICALLY OR BY INCREASED PENETRATION  
OF EXISTING MARKETS IN NEXT FIVE YEARS. HE CALLED FOR  
NATIONAL AND ONTARIO ENERGY BOARDS TO BE QUOTE FAIR BUT FIRM UNQUOTE  
IN GUARDING PRICE DEFINED AS WELLHEAD, TRANSPORTATION  
AND DISTRIBUTION COSTS.

4. TIMBRELL CLAIMED GOC PRESSING FOR HIGHER PRICES ENCOURAGES  
PRODUCERS TO ASSUME GAS HELD IN GROUND TODAY MIGHT GO FOR A HIGHER  
PRICE TOMORROW. QUOTE RETAINING GAS IN THE GROUND AT A TIME WHEN IT  
IS CRITICALLY NEEDED TO FUEL A FALTERING ECONOMY IS, MOST  
ASSUREDLY, NOT IN THE NATIONAL INTEREST UNQUOTE. HE STATED OUTPUT  
OF EXISTING GAS FIELDS SHOULD BE EXPANDED JUST SHORT OF DAMAGING  
MAXIMUM EXTRACTION POTENTIAL.

5. MINISTER CALLED FOR IMPROVED EXPLORATION AND PRODUCTION INCENTIVES.

QUOTE THE GOC AND THE GOVERNMENTS OF THE PRODUCING  
PROVINCES SHOULD SO AMEND THEIR ROYALTY AND CORPORATION TAX  
PROVISIONS THAT A REASONABLE AND DEFENSIBLE AMOUNT OF ECONOMIC RENTS  
IS LEFT TO THE PRODUCING COMPANIES UNQUOTE.

YM IN CONCLUSION TIMBRELL SAID FRONTIER REGION GAS, ONCE  
LEGITIMATE ENVIRONMENTAL, SOCIAL, NATIVE RIGHTS AND RESERVE ADEQUACY  
CONCERNS SATISFIED, SHOULD BE TRANSPORTED TO DEMAND CENTERS AS  
QUICKLY AS POSSIBLE. EARLIER IN SPEECH TIMBRELL STATED  
THAT TRANSPORTATION PROBLEMS EXCLUDED FRONTIER RESERVES FROM  
REALISTIC CONSIDERATION FOR NEXT FIVE YEARS AND THAT IN VIEW  
PREVALANCE VARYING UNSUBSTANTIATED FRONTIER RESERVE  
ESTIMATES QUOTE THIS NATION MUST BASE ITS POLICY DECISIONS  
ON WHAT HAS BEEN FOUND NOT WHAT IS GUESSED, HOPED OR ASSERTED UNQUOTE

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UM IN INTERVIEW FOLLOWING SPEECH, TIMBRELL SAID ONTARIO WOULD  
OPPOSE ANY OIL OR NATURAL GAS PRICE INCREASES FOR AT LEAST A YEAR  
OR UNTIL PROVINCIAL UNEMPLOYMENT RATE DECLINES TO 3 OR 4 PERCENT.  
HE ALSO RECOGNIZED HIS POSITION AGAINST EXTENSION OF THE GAS MARKET  
CONTRARY TO QUEBEC AIM BUILD UP MARKET SO AS USE FRONTIER GAS  
WHICH MIGHT OTHERWISE BE EXPORTED. WHILE RECOGNIZING QUEBEC'S  
PROBLEM, TIMBRELL SAID IT JUST NOT TIME TO EXPAND.

8. COMMENT-TIMBRELL'S REMARKS REFLECT STRONG ONTARIO POSITION ON  
ENERGY COSTS EMPHASIZED BY PREMEIR DAVIS AT OTTAWA PREMIERS  
MEETING AND IN RECENT ONTARIO BUDGET. SENSITIVITY TO PRICE AND  
AVAILABILITY ENERGY SOURCES ECONOMICALLY AND POLITICALLY DEMANDED  
IN CONSUMING PROVINCE DEPENDENT ON MANUFACTURING AND  
EXPORTS WITH PROVINCIAL ELECTIONS EXPECTED DURING 1975.

FOREIGN TRADE ASPECTS OF TIMBRELL SPEECH EVIDENCE FACT  
THAT ONTARIO ITSELF IMPORTS FUEL FROM OUTSIDE CANADA  
AND CAN SEE LOGIC OF SHORTFALLS BEING SHARED AND NOT  
IMPOSED ON FOREIGN CUSTOMER.  
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**To:** STATE INFO OTTAWA  
CALGARY  
HALIFAX  
MONTREAL  
ST  
VANCOUVER

WINNIPEG

QUEBEC

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